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DEPARTMENT OF STATE

POLICY PLANNING STAFF

EXCISE

51
July 11, 1951

DEPARTMENT OF STATE CDC/MR

Memorandum for: S/P - Mr. Nitze

REVIEWED BY

DATE

PORTIONS DENIED

I believe you'll want to read this in entirety when you can get time, but the marked portions - beginning on page 4 contain most important conclusions.

There is wide agreement between Chase and Marshall but also a wide divergence of interpretation of the interviews on some points - e.g., the new popularity of Chiang and the usefulness of the coalition groups in Peiping. Chase's interpretation discounts former - Marshall's discounts latter.

The figures Chase names as possible defectors such as [redacted] at al are names to conjure with, especially these two, who could command wide allegiances if they had a refuge.

I want to analyze both reports to try to reconcile divergences and will try to come up with an agreed view and a paper with concrete courses of action - tied in with the Formosa paper, the NSC Senior Staff "Effect of Backing CKS" and the current Korean situation.

Kentz
Kenneth C. Krentz

Att:

Paper by DRF-Mr. Chase on
"China Situation Survey",
undtd, copy no. 2.

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CHINA SITUATION SURVEY

(From Standpoint of Intelligence Procurement and Policy Planning Needs)
(Submitted by A. S. Chase)

The survey I attempted to make on my recent visit to Hong Kong accompanying Mr. C. B. Marshall of S/P was directed primarily toward:

1. Ascertaining, through interview of the best available sources, what salient points seemed to stand out impressively as pretty well established on the basis of general agreement;
2. Noting areas where disagreement or lack of information obscures the delineation of what would seem to be key facts needed from the standpoint of policy planning;
3. Trying to see, in consultation with our Hong Kong Consulate General, what might be done toward improving intelligence channels to fill in these gaps in the picture and what their existence meanwhile would seem to imply for the needs of political planning.

I tried to focus my inquiries especially on the strengths and weaknesses of the Chinese Communist regime; on the potentialities of its splitting with Moscow;

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The Chinese interrogated (about 20 persons) were selected with the help of the Consulate General and other competent advisers, an effort being made to get good sources on mainland events and thinking. (See Appendix A for list of the more important Chinese interviewed.) They included no

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known Communist party members, Kuomintang representatives or unqualified supporters of the Nationalist government. They can be roughly divided into the following categories of "independents" which are believed to reflect fairly well the main politically alert groupings at Hong Kong other than out-and-out KMT and Communist supporters:

1. "Independent," occupationally tied to the Communist regime, anti-Stalinist, favoring reform but not collapse of the regime. (One interviewed.)
2. Liberal-Progressives of semi-KMT background, strongly anti-Communist, who have had little respect for the Nationalists; but who see no hope or "percentage" in playing for Communist splits and defection; and who, discounting Third Force potentialities, feel that the only course is full support (though with insistence on reform) of the Nationalist government -- at least as a stop gap rallying force till real leadership emerges. (Six interviewed).
3. Independents, who strongly oppose the Peiping regime for its police state ruthlessness and servitude to Moscow; who oppose backing the Nationalists for restoration as the overall political authority on the grounds that they would be rejected by mainland China; who would use the Nationalists militarily and as a participating group; who see the need for some Third or new force; and who envisage revolting Communists as playing an inevitable and indispensable part in overthrowing Peiping's rule and building a new regime. (Twelve interviewed, comprising: active "Third Force" leaders; defected Communist from the Peiping regime; businessmen who tried and left Communist China;

and liberal-intellectuals with recent experience under the Communists.)

The list (Appendix A) of the more important sources interviewed also includes six exceptionally informed non-Chinese -- four Americans, one Frenchman, and a senior employee of the Consulate General.* Information and views of Consul General McConaughy and American officers of his staff were obtained as valuable background but have been excluded as specific supporting material in order to keep myself within the frame of my attempted survey and minimize tendencies for the survey to become a mere reflection and fragmentary version of the Consulate General's much more thorough reporting.** #

The records of the more important interviews, together with biographic data, are attached to Appendix A.

I should like to utilize the occasion to express very warm appreciation of the live, effective cooperation and the invaluable advice and help which, under the leadership of Consul General McConaughy, were given by the concerned members of his staff.

There follows the statement of the main conclusions and suggestions developed from the survey:

* Who, though of Chinese race, is listed with non-Chinese in view of his close association with the Consulate General.

** I have also purposely refrained from first ascertaining the overall conclusions reached by Mr. Marshall, as I felt it might lead me to "doctor" my survey to make it better parallel or meet his findings.

I have, however, drawn on some of the information and ideas given to me at Hong Kong by Mr. Frederic D. Schultheis, head of our Manila Embassy's political reporting section, as his perspective and information sources at Manila have not duplicated those of the Hong Kong Consulate General. Not having had opportunity to show him my record of his statements, there is a possibility it may involve points misquoted or misunderstood, for which I assume responsibility.

A. Area of Agreement - Salient Points *

1. There are as yet no signs of a split between Moscow and Peiping or within the Peiping camp justifying hope for the accomplishment of China's independence of the USSR through the initiative of Communist elements themselves.

Some CCP leaders opposed exclusive alignment with Moscow and intervention in Korea, but the decisions, once made, have received monolithic support in implementation. The Stalinist faction has gained firm control, facilitated by a power centralizing achieved through the Korean war; and Mao himself, whom most picture as still "boss" (though less actively so) and favoring moderation, is in no position to repudiate it. Solidarity has been strengthened by a common fear that the U.S. means to destroy Communist China. However, war losses and internal economic and policing strains building up from Korea, together with mounting American might and growing dislike of Soviet intrusion and "bossing" are undoubtedly increasing anti-Stalinist discontent and pressures toward a split in the Party, which would probably be brought to a head by a general war (assuming, presumably, that Soviet superiority were not quickly established). Some sources even surmised that Peiping's willingness thus far to take punishment as Moscow's "whipping boy" has been attributable to a Soviet assurance that the USSR would "take over" the war on a world basis at a specified future date.

* The general agreement on these six points is somewhat more than would seem reflected in Appendix A (records of the more important interviews) for the following reason: In cases where the sources did not gratuitously offer views on the points, they were questioned on them, and their answers frequently took the form of simple dogmatic statements with no amplifying comment. (For example: Is there any sign of a split in the Chinese Communist regime? Answer: No.) In such cases I did not record their repetition of what proved to be a frequent pattern of response.

There seemed general agreement that things would have to become much worse for Peiping than they are now* before any real split and Titoist move would be likely; that meanwhile further UN military blows in Korea, economic sanctions and exploitation of Soviet unpopularity (Peiping's "Achilles' heel") are needed as most useful "softening up" measures to hasten events.

2. Feeling against the Peiping regime has been mounting rapidly and is widespread - especially in south China and especially among the farmers. In that sense the regime is becoming weaker.

This growing hostility is caused by the Regime's ruthlessness, its police-state controls and oppressive demands growing out of the Korean war, and its subservience to Soviet requirements; also by the worsening economic conditions. Aside from the general truth that hostility has grown throughout the mainland, there are two points that stand out impressively as facts established by general agreement:

(a) Hostility is especially strong in south China, below the Yangtze River;

(b) The strongest, most significant base of popular discontent is the farmers.

Oppressive tax, food and military conscription demands, together with maladministered land reforms and terrorism have antagonized the important

* [REDACTED] unusually well-informed on the CCP, made the interesting point that the Chinese Communists have no reason to feel too depressed as their situation is much less critical than at several earlier stages in their career. He cited, as examples: the crisis caused by Chiang Kai-shek's 1934 campaign which forced the Communists to flee from their south China bases on the "Long March" (peregrination of some 7,000 miles ending at Yen-an); and their situation following the March, with 90 percent of their party members gone and their original armies reduced by some 70 percent.

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tenant-farmer class and even many of the poorer peasants south of the Yangtze. As pointed out by some of the sources, this means that the ability of any invading army and new movement to gain popular support by capitalizing on this significant peasant discontent will depend in large measure on the new force's ability to apply promptly a well-prepared program for (a) feeding the farmers temporarily (who will be left foodless by the retreating Communists) and (b) offering a fair agrarian land solution combining in wise degree recognition of the poorer peasants' new won land titles and compensation for deserving dispossessed owners.

There was also general agreement that feeling against the regime has developed notably among the urban business and trading classes.

3. At the same time, however, the Peiping regime's drive for full police control of the country (which some sources felt to be as much a motive as an exigency of Chinese intervention in Korea) is making steady headway. In this respect certainly the regime is becoming stronger.

The Korean war provided the occasion and means for centralizing army and police power in Stalinist hands at Peiping. Special benefits for soldiers, together with increased political indoctrination and surveillance of troops also lessen chances for revolts. Suppression by the army and police of guerrillas and potential opposition elements has proceeded mercilessly and effectively. While the cost of such policing is great (apparently increasing in a vicious circle with the mounting dissidence) and may one day prove too much, the effort is presently successful and has cowed the people.

It was also a point of noteworthy general agreement that the regime's success in capturing the imagination and support of young China has provided

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one of its most significant bases of power.* Through flattery, delegation of real responsibility, and strong appeal on the issue of "Young, New China" against "Kuomintang senility," Peiping has won and organized a great body of youth in student groups, youth corps, etc., which has ardently dedicated itself to the Communist cause.** #

There was also considerable opinion that the Chinese Communists' position is strengthened through the circumstance that, while few Chinese enjoy the regime, many have awesome respect for its unprecedented (for China) vigor, prowess and "effectiveness."

4. Given the regime's police control and no signs of a split that could bring about the launching of a revolution by Communist armies themselves, there appears no prospect whatever that the increasing hostility to the regime will take form in active, wide-scale opposition unless it is adequately encouraged by some intervening outside force such as an effective American-backed invasion or U.S. military operations causing serious breakdowns of regional Communist control. In the latter contingencies, active internal opposition will soon develop.

Unanimity on this point was particularly marked.

* True, a not insignificant proportion of older college students have not been converted; but by and large the majority of the nation's school children, college students and younger men and women seem to have been won over and organized.

** The far-reaching force of the Communists' drive to win young China was illustrated by testimony that Communist propaganda was failing in Hong Kong except among the young, and by stories told me by sources with children in Hong Kong schools of the worry caused the sources by the extent to which their children were being converted.

Possibly significant in this connection was a statement by one source [redacted] that Liu Shao-chi owes his growing power in the CCP to his support by the "younger" Communist faction.

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Even the most pro-KMT of the Chinese interviewed deplored a recent report that the Generalissimo had designated General Hu Tsung-nan,

- * In this connection, it is well to note that Peiping is reported to have been reorganizing its armies so as to combine Communist and former Nationalist personnel, with a view to strengthening the dependability of the former Nationalist troops.

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General T'ang En-po,* and others of unfortunate reputations as future governors of mainland provinces, and they agreed fully with other sources that such tactics would repel rather than attract help from mainland elements.

There was also considerable opinion that great effort must be made to undermine, through some effective appeal, the large body of Communist organized youth groups (students, youth corps, etc.), whose zealous service in maintaining Peiping's "New China" is perhaps the greatest basic strength of the regime.

6. As a reverse facet of the tide of feeling against the Peking regime, there has been a marked relative change and improvement in feeling on the mainland, and particularly in south China, toward the Nationalists. It has reached a point where, as the lesser of two evils, many of the dissatisfied mainland Chinese would prefer restoration of the Nationalists (including Chiang Kai-shek); while others would at least approve acceptance of the Nationalists militarily and as a participating group in overthrowing the Peiping regime. Virtually all the dissatisfied elements, however, would prefer a new regime to either the Nationalists or Peiping if one were in sight.

There was general agreement that the Nationalists have improved in some respects during their Formosan respite; that they have still a long way to go; and that action making their regime more tolerant, vigorous and

* Militarily, Hu and T'ang are widely known as generals whose main work during the Second World War was watching the Communist forces rather than fighting the Japanese, and who, although having some of the best Nationalist troops, were badly beaten by the Communists in the civil conflict that followed the War. In addition, T'ang incurred much popular hatred in east China as a result of his widely reported corruption and of the manner in which he "bled" Shanghai for his personal profit (under the guise of defense taxation needs) just before abandoning the port to the Communist forces.

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popular is vital if they are to play any effective role on the mainland. Frequently mentioned as one urgent need was that the Generalissimo should get an inner circle of new, sound advisers.

There was clearly a wide opinion that, irrespective of the merits of the Nationalists, Formosa, as the only anti-Peiping base, should be held at all costs, and that even anti-Stalinist Communists would approve this.

The improvement in feeling toward the KMT and the Generalissimo, being relative and involving little positive popularization, has largely coincided with the tide of rising sentiment against the Peiping regime. In this connection there was significant agreement that pro-Nationalist feeling is especially marked in south China, focusing on the Canton area.

B. Area of Disagreement and Inadequate Information -- Missing Facts

1. On the all-important question - how mainland China feels and is likely to act - it is clear that the picture which the sources all agreed upon with respect to the mainland's mounting opposition to the Peiping regime and to its relatively improved feeling toward the Generalissimo (described in Items 2 and 6, Section A, above) is mainly the picture as it appears to, and as it applies to, the unorganized civilian elements of the population, that have formed the main field of the sources' associations. (That is, farmers, tradesmen, businessmen, etc., those elements which all agree are powerless to act, however they feel, and whose aid in overthrowing the Peiping regime could in any case be only of secondary importance.) This is made clear by the fact (except as noted below) that the sources themselves claimed little access to the other mainland elements (organized

groups within the Communist regime), that they could offer little specific information with respect to such other elements, and that what they did offer was rarely in agreement.*

(a) Even with regard to the unorganized civilian elements of the population, the specific information offered in support of the general agreement was mostly confined to proving that strong popular opposition to the regime and improved feeling toward the Generalissimo has developed in south China focusing on Canton. The question whether a similar degree of feeling exists north of the Yangtze seemed to have been left undetermined.**

2. There was great disagreement and paucity of information (particularly first hand) in regard to the more organized elements and dynamic power groups within the Communist regime (top leadership, working cadres, regular armies, militia, police, youth groups, labor unions, and coalition democratic groups***). Their inner relations and dealings, their thinking and attitudes, their vulnerabilities to pressures and persuasions, their potentialities for defection. Yet it is the organized militant millions

* It is believed that these statements would apply equally to almost all sources presently available to the American government.

** To this qualification might well be added one more factor: Virtually all available sources of information on China mainland thinking are either Chinese who dislike the Peiping regime or foreigners whose main informational associations have been with such Chinese. This must result in some tendency, even if unconscious, for the sources to overstate the extent to which the regime is hated by the people. This factor, while certainly not enough to offset the mass of testimony concerning popular feeling against the regime, should obviously be kept in mind.

*** Important at least as a medium for reaching and learning about other groups.

forming these power groups, and not the cowed, unarmed populace, who maintain the regime. It is they, chiefly, who have the vested interests in maintaining it and whose solidarity must be broken before any movement to collapse or change the regime can have hope of success.

Is there ground to hope that internal Chinese strains caused by pursuit of Soviet dictated international policy could weaken the Stalinist faction's control of the CCP and produce a Sino-Soviet split, even in the absence of a World War?

What is the attitude within the important groups toward the Nationalists? Toward the Generalissimo, and toward a "Third Force?"

Without attempting detailed analysis, the wide range of disagreement and the inadequacy of the sources with respect to this general field of questions may be illustrated:

As to a Sino-Soviet Split

Some felt that only a third world war could produce a split. Some, like [REDACTED] and Schultheis felt that the key to what Peiping will do depends less on the inclinations of CCP leaders and cliques than on the extent to which alignment with the USSR brings success or failure to the regime; that a break against Stalinist control must come automatically when the strain of military losses and internal troubles building up from the following of Soviet international policies reaches a given point; and that it is the approach toward that point which should be mainly watched. Liebermann (New York Times) on the other hand seemed to favor a view that Moscow may have so impressed Peiping as to the certainty of a Soviet world victory, and given Peiping such far-reaching assurances, that nothing short of a complete Soviet default or collapse would be likely to shake solidarity.

Some [REDACTED] (Wiant) tended to the view that the Chinese Communists themselves definitely contemplate becoming more independent of the USSR as the need for Soviet instruction and aid in expelling the West disappears.

All these views were admittedly only speculation with no inside knowledge of thinking within high CCP circles.

As to extent of dissatisfaction and potential defectionism within organized power groups in the Chinese Communist regime.

With regard to the most vital element, the armed forces (both former Nationalist troops and the original, hard core Communist armies), nothing specific was known. Concerning the top military commanders, nothing was offered beyond the surmise by some sources that Ch'en Yi (Commander of Third Field Army, controlling east China) is still the one least sympathetic

to Stalinist domination; and the apparently justified conclusion of some that measures taken by Peiping since the outbreak of the Korean war must have rendered it more difficult for Ch'en and for other possibly dissatisfied commanders* to attempt revolt. As to the rank and file, the prevailing opinion was that the troops' loyalty is pretty well assured, though a few sources** reported signs suggesting some dissatisfaction. One source [REDACTED] felt that the utmost to be hoped would be defections by "fringe and local forces" and then only if an invasion from outside showed prospects of certain success.

With respect to the Communist working cadres, a few sources reported some growing dissatisfaction. Both [REDACTED] and [REDACTED]*** felt that it was of some importance, but their conclusion seemed based on fragmentary evidence only.

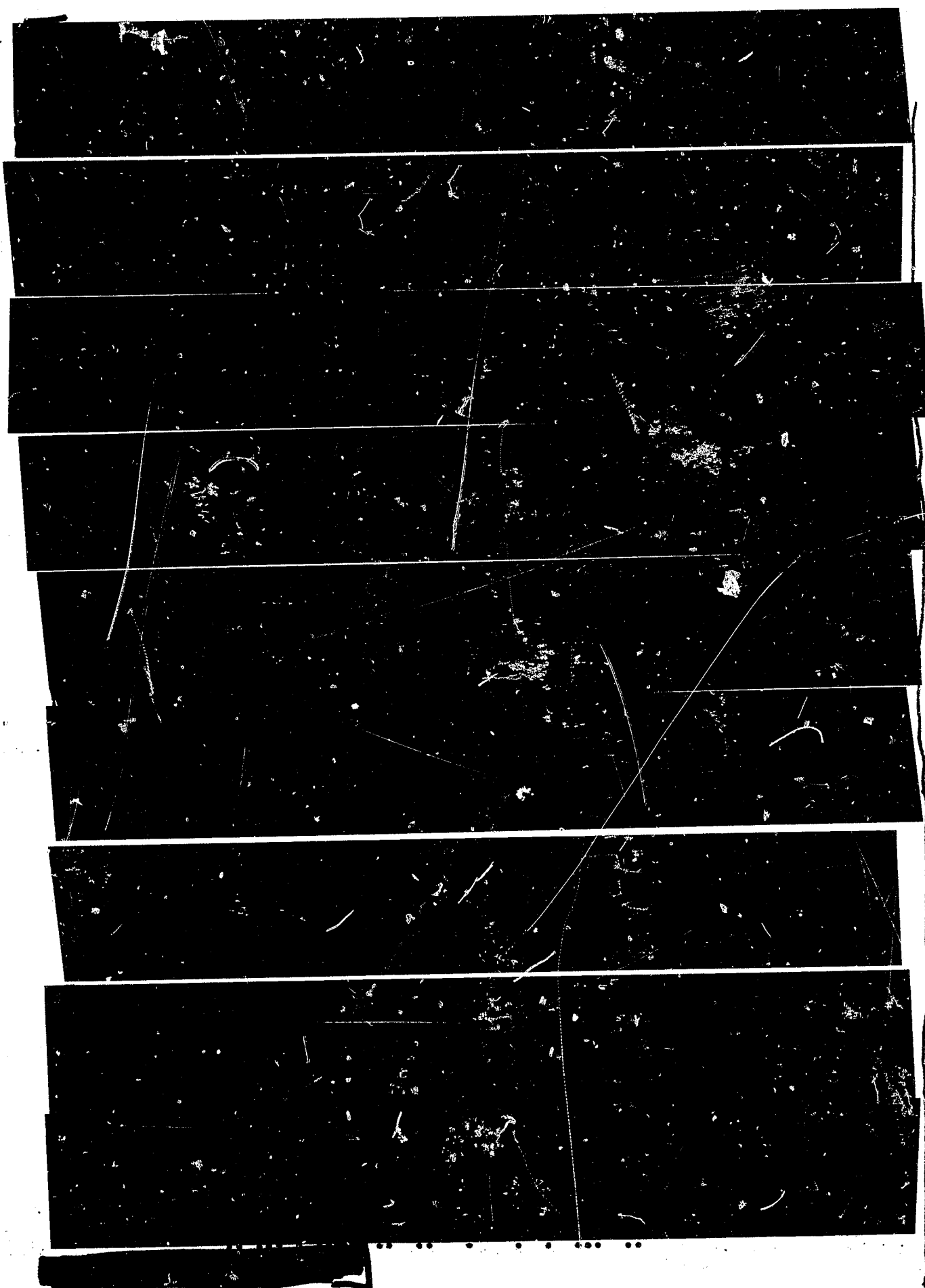
Only with regard to two groups, the Communist organized youth and the non-Communist, democratic coalition elements, did anything approaching a well-defined and significant picture emerge. As already mentioned, agreement was strong that most of "young China" is solidly and tenaciously for the new regime, forming its broadest basis of support, and particularly inspired with animus against the "senile KMT."

- * Yeh Chien-ying (in Kwangtung) and Liu Po-ch'eng (Commander of Second Field Army, controlling southwest China) being those most frequently mentioned.
- ** Notably Chang Kuo-t'ao, former colleague of Mao in CCP Politbureau who split with Mao and left CCP in 1938, now working with "Third Force."
- *** Who offers fairly convincing evidence supporting his claim to be a defected Communist.

Contrasting with their general lack of access to all other groups of the Communist regime, the sources - in many cases - were well enough connected within the non-Communist, democratic coalition groups, to have some first hand knowledge as to their attitudes. In such cases, there was general agreement that many, if not most, of the members of these groups are increasingly unhappy over the Stalinist course followed by the regime, with some already hoping for a Titoist coup or an opportunity to escape from the regime.* Several of the sources who appeared best informed said that the democratic coalition groups, while lacking any direct power, do have relationships with some Communist leaders which make the groups of some importance as a medium for reaching, learning about, and even influencing those leaders.† This is especially true in the case of the China Democratic National Construction Association, whose potentialities for use in the development of informational and operational intelligence "pipe lines" to within Peiping Communist circles are noted in the final section of this paper (C. Suggestions, Item 1).

Including, the testimony would indicate: Tung Pi-wu, Lin Tsu-han, Lin Po-chu and Wu Yu-chang ("anti-Stalinists"); Chou En-lai; and Mao himself.

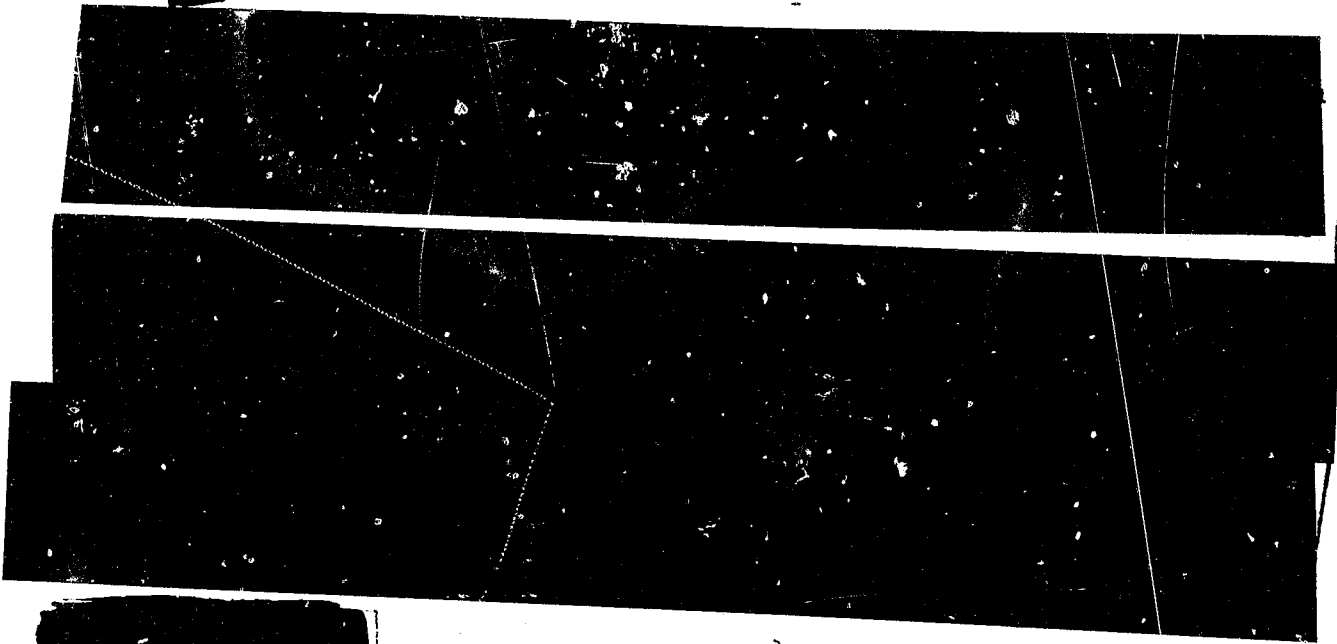
These are all names
Commanding Wide Respect



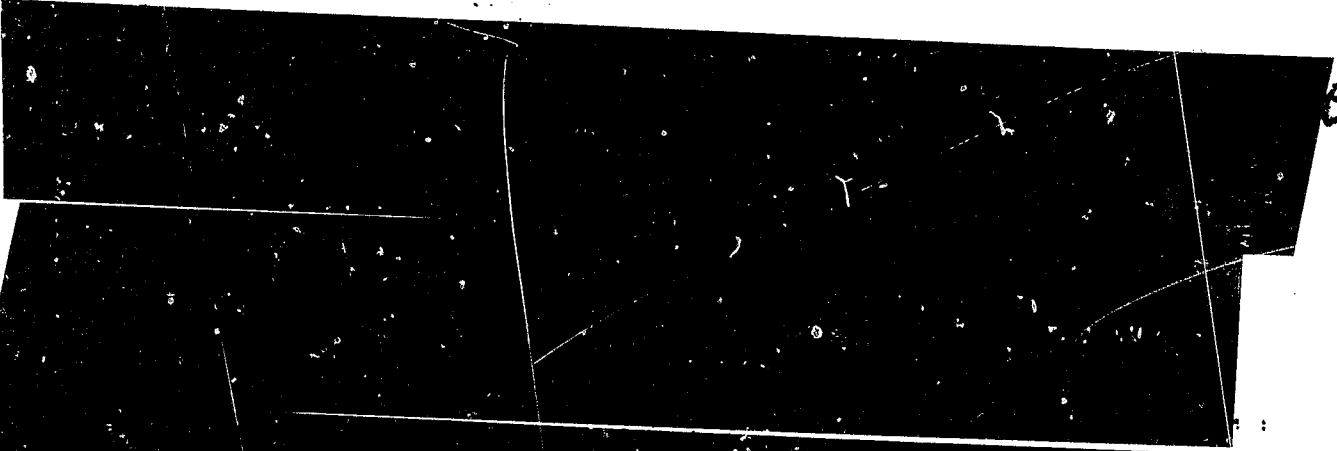
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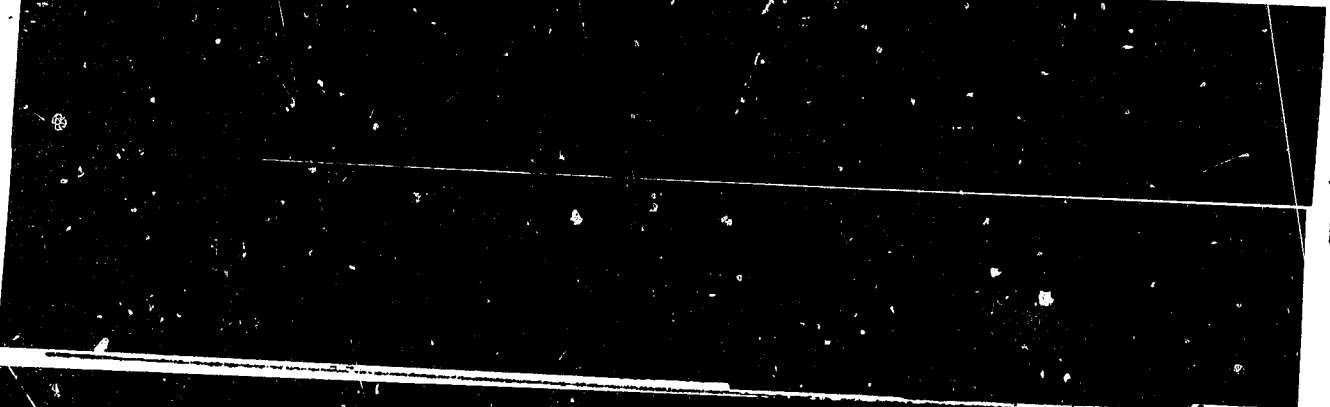
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[REDACTED] "hoped that US strategy would not involve support, for mainland leadership, of a regime that has proven hopeless and unacceptable to the Chinese people." Chang Kuo-t'ao** stressed as a primary requirement for success that restoration of the KMT to rule of the mainland not be attempted. He felt that Chiang Kai-shek is definitely more unpopular on the mainland than Mao Tse-tung, and that his selection as leader would have, among other things, the serious effect of strongly antagonizing "young China."

[REDACTED]

[REDACTED]

* Prominent manufacturer and [REDACTED]

[REDACTED]

Subsequently he abandoned working with the Communists and moved to Hong Kong (though possibly still friendly with Ch'en Yi).

** Former colleague of Mao in CCP Politbureau who split with Mao and left CCP in 1938; now working with "Third Force."

[REDACTED] His information on political events and leading personalities on the Chinese mainland is amazingly extensive. Of all the men I met, he had the widest knowledge of and acquaintance with Chinese in Hong Kong who have come from the mainland, and he had given the most thought to the various problems involved in any attempt to overthrow the Peiping regime. He can be of great value to us. The information mentioned above that he gave concerning statements made directly to him by visiting members of the China Democratic National Construction Association is believed particularly significant, as that association seems to be one of the best channels for ascertaining the attitudes of Chinese Communist leaders. (See Section C, Item 1, below.) For [REDACTED] detailed views, see Interrogation No. 17, Appendix A.

Schultheis felt it probable that, if the Nationalists were to attempt a mainland invasion now, with their existing reputation, they would find their reception apathetic at best, and would in some areas generate more hostility against themselves than against the Communists.

Some of those interviewed (including Lieberman), while recognizing
the Nationalists' serious inadequacies, did not go along with the view
that their employment for political leadership would be impossible under
any circumstances. They felt the Nationalists should be given one more
chance, depending on actual performance; on their ability to offer and

* See footnote marked ff on preceding page.

**** Third Force leader.**

*** Well-known sociologist, described more fully below.

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make good on programs for their own reform and for a solution of mainland problems providing liberal treatment for all groups willing to help in liberating the country from its present rule.

All were agreed that, as a prerequisite for playing any role (however limited) on the mainland, the Nationalists would have to effect a thorough housecleaning and introduction of "new blood." The only sources who expressed real confidence that the Nationalists could do this, that the Generalissimo would permit it, and that the regime could readily win the necessary mainland defections and support for its leadership were [REDACTED]

[REDACTED] and [REDACTED]**. A few, including Chang Kuo-t'ao, felt so hopeless as to the prospects of the Generalissimo's ever acquiescing in the necessary "purging" and reform of his regime that, instead of "giving him one more chance," they felt that he must be persuaded to resign, as himself constituting the principal obstacle to reform.

[REDACTED]***, while favoring support of Chiang's leadership "as the only one in sight," considered that both Chiang and the KMT are definitely not liked on the mainland except in south China; that the idea of Chiang's setting up any mainland regime with the type of leaders on whom he now depends is fantastic; and that, when the time comes that something can be attempted, it might be well to limit the project to one of setting up his regime over a few southern provinces only.

[REDACTED] who, (as also [REDACTED]) seemed

* Independent journalist, described more fully below; not to be confused with Communist General Ch'en Yi.

** Prominent editorial writer and legal expert.

*** Architect, long associated with progressive Shanghai business elements.

Founder and head of a private bank at Shanghai; closed the bank after unsuccessful effort to operate under the Communists.

to have given much thought to the possibilities for exploring and exploiting the potentialities for defection within the Peiping regime, felt it most important that a major effort be made to ascertain what are the attitudes of important leaders and groups toward defection, and what may be needed, in the way of reform of the Nationalists and of assuring "a place for all," toward winning them over.

It was significant that the Chinese interviewed, despite their high standard as sources, showed a marked tendency to picture the attitudes of mainland groups, and how the mainland can be won, on lines paralleling their own personal commitments and aspirations. This is illustrated by the following three examples -- all highly intelligent, well-informed and earnest Chinese patriots:

[REDACTED] (independent journalist), convinced by two years' experimental living in Communist Shanghai that the KMT, which he hitherto despised, is better than the Peiping regime, now stakes his future on a reformed Nationalist government, in which he frankly expects a role. He views things as follows:

A Titoist coup not only is almost impossible, but, even if executed, would make the Chinese Communists no less sinister and intolerable. Formosa and Chiang Kai-shek, as the only effective symbols of anti-Communist resistance that mean anything to the Chinese people, must be fully supported as the leadership and overall political authority for the mainland -- at least till something better appears. The Third Force is hopeless. Former Nationalist personnel and other anti-Communist elements on the mainland who might make good administrative material are being fast liquidated by Peiping, and it would be unwise to use "renegade Communists." The solution accordingly lies in forcing the Generalissimo to clean house,

open doors and "beef up" his regime with capable, progressive Chinese plentifully available in Hong Kong, overseas, and in Formosa. The real leadership must inevitably emerge, if not through KMT ranks, then through some other force not yet revealed. For success in overthrowing the Peiping regime, it is, admittedly, necessary to get massive defections from the Communist armed forces; but these should come readily enough "as the Nationalists demonstrate their power and success."*

[REDACTED] (liberal educationalist), who is deeply involved in helping to found the Third Force, sees it thus:

While the Stalinists firmly control the Peiping regime now, Korean war strains are building significant discontent and tension within the CCP leadership and working cadres. Most of the non-Communist, democratic leaders associated with the regime would already like to defect were there only some alternative but humiliating subservience to the reactionary KMT.**

It is vitally important to work for splits and defections in the Communist regime, which can only be secured by advertising to the mainland, and faithfully carrying out, a liberal and attractive platform and program.

Especially necessary is it to win over young China. Such things Chiang

* [REDACTED] saw no inconsistency in expecting Communists to defect while at the same time denying them a voice in the new order. He had no answer to the hypothetical question as to what response should be made to Communist General Ch'en Yi in the event that the latter offered to join forces against Peiping on the condition that he retain a place of authority in east China.

** [REDACTED] said that Ch'en Ming-shu himself (one of the most distinguished and able of the democratic leaders associated with the Communist regime) had personally told [REDACTED] that, while he knew it would be suicidal for China to side with the USSR in war with the US, there has been no alternative compatible with his political convictions to which he could turn. He would never defect to the KMT.

Kai-shek cannot do -- a leopard cannot change his spots. The Nationalists should be used militarily, and selectively as individuals, but not as the mainland administration. The Generalissimo must not continue to seek to prevent liberal elements such as the Third Force from freely playing their own role in what must be a united front against the common enemy.

[REDACTED] (liberal intellectual, eminent sociologist), strongly anti-Soviet, accepted a Communist request for his services at Peiping, where he has many friends in high circles - especially among the intellectuals found in the non-Communist democratic coalition groups. He later fled the mainland against Communist orders. He has the following conception:

Internal CCP dissension leading to an anti-Stalinist move or large-scale defections can only develop if the regime's failure is conclusively demonstrated by a far worse situation than now faces it: by much more critical military losses, economic troubles and guerrilla suppression problems. The key to undermining the regime lies in this success or failure factor, not in exploiting "cliques" within the CCP. Apply the pressures where needed to intensify the regime's predicament (including aid to guerrillas in south China) and the pathway for getting defections from Communist armies and other groups will be laid. While Nationalist troops should be used, designation of the Nationalists for overall political rule would be fatal -- killing all hope of adequate Communist defections. There are not enough good men available for the Third Force outside mainland China as too many of the exiled Chinese have a vested interest in the old KMT regime. For this reason it is important to strengthen the Third Force with defectors from the Communist regime. Especial initial efforts should be

made to win over non-Communists of the democratic coalition groups as these include the country's intellectual leaders, highly capable men, possessing invaluable knowledge of how the Communists think and operate. Some of these men, "including one of the most prominent," would have already come over had they not feared liquidation by the Generalissimo.

I hope it is clear that the foregoing paragraphs are meant to show -- not how the mainland Chinese comprising the organized power groups within the Communist regime feel toward that regime and toward the Kuomintang, but rather the simple fact that we just do not know how they feel. Except for the clearly ominous picture we have of "young Communist China," and for the encouraging evidence of strong dissatisfaction among the non-Communist, democratic coalition elements, our information is inadequate, contradictory, cannot be trusted.

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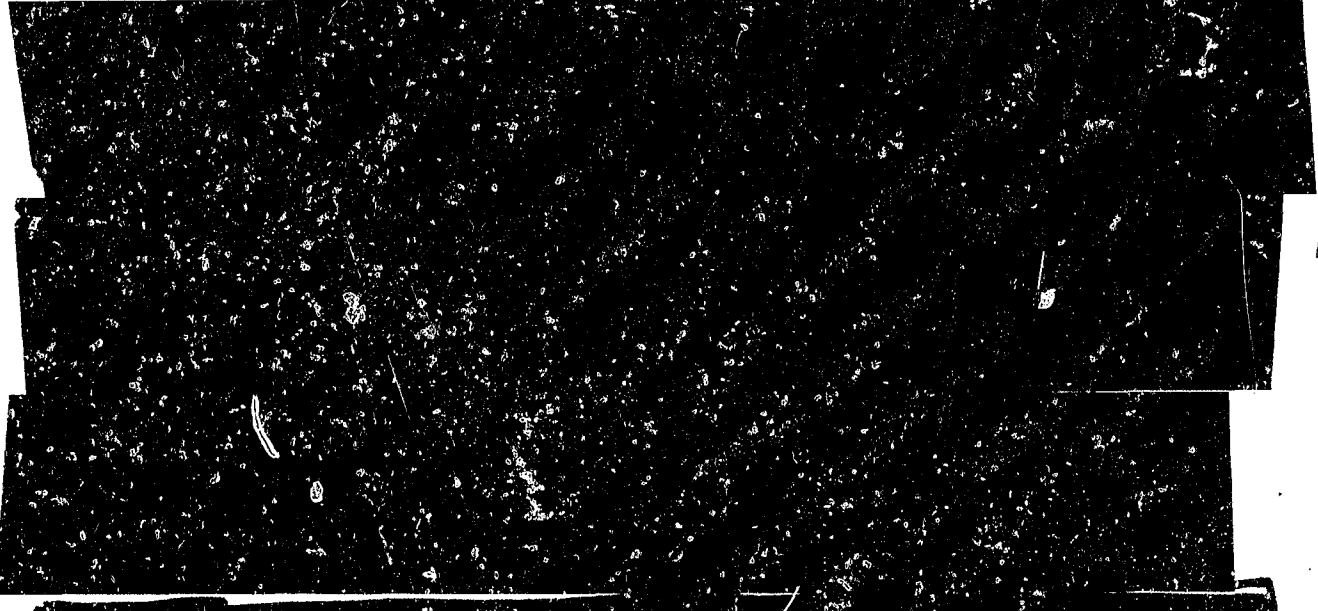
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NB

G. Suggestions

From what I have seen of the flow of information reaching the Department from all sources, it is my impression that the foregoing conclusions as to what is fairly well known and what vital facts are unknown in the field I have attempted to cover would hold up pretty well in the light of such information. To the extent that they do hold up, the conclusions would seem to imply a need for action along the following lines:

1. Making a major effort, through all agencies and means, to ascertain how mainland China really feels toward the Peiping regime and toward the Nationalists: 




* Whose statements on the need and possibilities for this type of approach are believed to deserve reading. (See Interrogation No. 17.)

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26.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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Further suggestions and details given in the reference memorandum will not be here repeated beyond reiterating the opinion (held equally by Consul General McConaughy, Mr. Schultheis of our Manila Embassy, and myself) that there is a very urgent need for the appointment of an additional specially qualified officer at Hong Kong to work on this problem [REDACTED]

[REDACTED]

2. Putting pressure on the Nationalists and on Chiang Kai-shek personally to make them clean house, open doors, and sell themselves to the mainland is vitally necessary if they are to play any effective role on the mainland. [REDACTED]

[REDACTED] For any such role, they must convince doubting mainland elements, by word and by deed, of their new, more liberal attitude and of their willingness and ability to work effectively with other groups [REDACTED]

[REDACTED] Among the specific steps, aside from a general house-cleaning, that might be taken toward this end, the following were suggested by those interrogated and would seem to merit consideration:

- a. The creation by the Generalissimo of an informal, inner circle of backstage advisers composed of high-minded Chinese patriots, not involved in politics, who would have direct private access to him at all times. (Perhaps the most basic need of all.)
- b. The opening up of Formosa, in the double sense of welcoming non-KMT elements into the regime, and of granting asylum, unsubject to political pressure and secret police surveillance or persecution, to fugitives from the mainland.

c. Issuance of public statements, giving assurance of the Nationalist regime's new liberal policies of bringing in fresh blood and ideas into the regime, and of welcoming cooperation between the regime and other elements, genuinely interested in freeing the mainland.

d. Following up such statements with reassuring concrete actions, as for example: the release of Marshal Chang Hsueh-liang and other non-Communist political prisoners; moderation of police state methods and infringement of the people's constitutional rights; the welcoming into Taiwan and into the government of able men defected from the Peiping regime; and cessation of the Nationalists' current efforts to destroy the "Third Force."

3. Encouraging and sustaining, to the utmost practicable, efforts to organize a Third Force -- while at the same time seeking to prevent, at least for the present, premature crystallization of the "Force" as an aspirant "government" contending with the KMT, and to keep it, instead, in the form of a general forum and revolutionary movement through which to encourage, articulate and correlate the ideas and efforts of all patriotic elements desiring to help in setting up a new, free China. It is believed that the sustaining of a Third Force movement along such lines is essential for:

a. Making the Nationalists realize (1) that there is an alternative to themselves, and (2) the consequences of not
their reforming and liberalizing their regime to meet
challenge.

- b. Providing a political focus for overseas Chinese (particularly in Southeast Asia) and a "catch-all" for enlisting the services of all anti-Beiping elements who would under no circumstances accept KMT leadership.
- c. Providing a supplementary force for attracting and gathering mainland defectionists -- particularly as an alternative recourse in case the Nationalists' attracting power proves hopelessly inadequate.

It is expected shortly to complete a memorandum summarizing my impressions picked up from discussions at Hong Kong as to specific problems facing the Third Force and as to what might be done toward solving them.

- 4. Taking all practical steps toward stimulating efforts by both the KMT and the Third Force to make a special appeal to "young China", with a view to loosening the Communists' grip on the young and to enlisting, through propaganda, material help and training, the participation of young Chinese in formulating and forwarding programs for the mainland.
- 5. Giving preliminary thought to the urgent economic relief (including the feeding of peasant populations of invaded areas) which will be required to supplement military operations to win over the mainland population, and which, to a large degree, only the US may be in a position to provide.
- 6. Taking steps that will in some way show clearly to the Nationalists, to the Third Force, and to dissatisfied mainland elements with potentialities for defection, that our present recognition of the Nationalists and our defense of Formosa do not imply an irrevocable commitment on our part

to restore the KMT to power on the mainland; that we have not put all our eggs in one basket; and that our future policy with respect to the mainland must be determined by the realities of actual performance by all groups interested in making China an independent state, responsive to the needs of the Chinese people and to international obligations. It would appear that the working out of a basic formula for policy toward the Nationalists along some such general principles is of foremost importance, and that the degree to which our government succeeds in devising, in making known and in applying such a formula will determine whether the important Nationalists' assets are realized or whether the regime becomes a heavy liability. How this problem is solved might well make or break America's position in China for decades to come.

7. While appreciating the difficulties involved and while not venturing any explicit recommendation, I would like to mention the existence of a strong feeling among many Chinese and Americans in Hong Kong that the reaching of an Anglo-American understanding for a firm military defense of Hong Kong and for a common liberal policy toward all anti-Beiping elements seeking refuge in the Colony would help greatly toward easing difficult problems. Such problems include: Providing encouragement and security for Third Force workers; providing asylum for non-Communist, non-KMT Chinese; offering a safe haven for Communist defectors; and acquiring a potential alternative staging base in addition to Hong Kong. Incidentally, such an Anglo-American understanding should also materially improve our position for obtaining intelligence on Communist China. Thus

far the Chinese public has been convinced that a Communist attack on Hong Kong would not be strongly resisted. This conviction has not only served to discourage the defection of persons within the Chinese Communist regime possessing invaluable information, who, being anti-KMT, have no asylum open to them other than Hong Kong. It has also unquestionably inhibited from contact with Americans many of those Chinese already arrived in Hong Kong who are best qualified to provide inside information with respect to the Peiping regime. This fact was impressed upon me in two actual instances where I attempted to set up meetings with persons recommended as likely to prove exceptionally worthwhile. In one case, the man, [REDACTED] frankly explained through his intermediary that, not being one of those who could hope to escape Hong Kong in the event of a Communist invasion, he could not afford to risk his reputation with the Communists by meeting with Americans. Had Sung felt assured that Hong Kong would be strongly held against the Communists, he probably would have been willing to talk.

* Prominent wool textile manufacturer, non-Communist [REDACTED] Left Communist China about the end of 1950. Believed to be disillusioned with regime.